

Tennessee Department of Labor & Workforce Development
Fiscal Year 2005-2006 Annual Report



Vision

To be the nation's leading provider of comprehensive workforce development and workplace safety and health services.

Mission

To work as a team to promote workforce development and improve workplace safety and health throughout Tennessee.

Values

We are a professional customer-focused team committed to serving the citizens of Tennessee. We strive to deliver effective and efficient programs while treating our customers and employees fairly, consistently and with respect.



A letter from Commissioner James Neeley

Our mission at the Tennessee Department of Labor and Workforce Development is to work as a team to promote workforce development and improve workplace safety and health throughout Tennessee. I truly believe our 2,040 employees across the state achieve that mission each and every day. In this annual report you will see that dedication within our six divisions, each committed to serving the citizens of Tennessee.

Over the past year we have accomplished many things, with one of the most important being our strategic planning to meet the needs for future Tennesseans. Our department is committed to exceeding the needs of our customers and promoting economic development. One of the ways we plan to do this is with performance measures modeled after the Baldrige Initiative. Many successful global companies utilize the Baldrige measures and we know it will help us to operate more efficiently and effectively.

As you read through this report you will see how we are putting our vision, mission and values to work. The teamwork of this department's employees has proven invaluable throughout this year and I envision for many years to come.

Sincerely,

James G. Neeley



Commissioner James Neeley presents the Commissioner's Award of Excellence to Bridgestone Metalpha of Clarksville for achieving injury and illness rates below the national average.

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We're proud to mention a few **accomplishments of 2005-2006**

Adult Education

The number of GED diplomas earned was 12,267. This is an increase of 9.7% over last year. A partnership between Adult Education and the Governor's Books from Birth Foundation was established in 2006. Adult Education students, many of whom don't know about the foundation nor can afford books for their children and/or grandchildren, now have access to the information through their GED classes.

Workforce Development

In support of Governor Bredesen's FastTrack Initiative to grow Tennessee's new and existing industry, **the Department of Labor and Workforce Development has provided more than \$1.4 million for On-The-Job Training to more than 3,200 new employees. Incumbent Worker Training Grants totaled \$3.3 million benefiting more than 15,000 Tennessee workers.**

Employment Security

Tennessee is back on top for the three established measures of all veterans' services performance.

- **66% Entered employment**
- **81% Employment retention at six months**
- **66% Entered employment following staff-assisted services**

TOSHA

In the last three years our Tennessee Occupational Safety and Health division has awarded 79 companies across the state various workplace safety awards. In addition our TOSHA division sent 17 staff members to the Gulf Coast for 14 days to assist with the clean-up efforts and assure job safety during the restoration process after Hurricane Katrina.

Workers' Compensation

Workers' Compensation continues to implement the changes brought about by the Reform Act of 2004. The division passed administrative rules governing the Medical Impairment Registry, Medical Fee Schedule, Benefit Review process, and physician deposition fees. **Effective 7/1/06, the maximum weekly compensation rate rose to its highest level ever at \$682.**

Marketing

Employer Services Specialists (ESSs) are responsible for marketing the department's services to employers and establishing quarterly Workforce Employer Outreach Committees (WEOCs) across the state. **Three hundred twenty WEOC meetings are being held annually, and the ESSs visited more than 4,500 individual Tennessee employers this year.**



Top TN Corporations Who Use Baldrige

Bridgestone/ Firestone	Federal Express Fort Campbell
Caterpillar Financial City of Kingsport	Mountain States Health Alliance
Eastman Chemical	Nissan

Planning for the Future

Department Strategic Plan 2006-2010

The department has developed a new four-year strategic plan to work in concert with performance measures that will guide department operations and set the road map to ensure our future success.

The following seven strategic department goals have been set:

1. Exceed the needs of our customers
2. Exceed the needs of our employees
3. Provide economic stability through the timely payment of unemployment insurance benefits
4. Promote economic development through the education and training of Tennessee's workforce
5. Administer a fair and efficient Workers' Compensation System
6. Improve workplace safety through education, training and regulation
7. Operate efficiently and effectively

As part of the revised planning process, these goals have been cascaded throughout all divisions within the department. Performance measures that align with our seven strategic goals have been established and will help the department continue to improve how we operate.

The department remains committed to expanding Commissioner Neeley's Baldrige Initiative. The Baldrige Criteria for Performance Excellence are used by industry leaders in the business, manufacturing, healthcare, education and public sectors to improve performance and drive continuous improvement. The department aims to be the first state department to use this framework as the foundation of our business model.

Increasing Employment & Earnings for Adult Workers

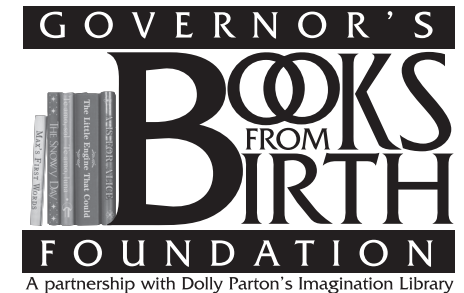
Adult Education Report 2005-2006

The Division of Adult Education (DAE) provides adults with basic skills upgrades, basic computer skills, GED preparation, and English for Speakers of Other Languages (ESOL). Classes are offered in all 95 counties and at worksites as requested by business and industry.

The number of GED diplomas earned last year was 12,267. This is an increase of 9.7% over the previous year. Student satisfaction data show a 98.6% rate of overall satisfaction of Adult Education (AE) services. Adult Education students had a 98.6% satisfaction rate, ESOL students a 98.8% satisfaction rate and basic computer skills students a 98.5% satisfaction rate.

Adult Education uses the Baldrige Criteria for Performance Excellence as its continuous improvement tool in order to ensure that services are of the highest quality. The DAE partners with the Tennessee Center for Performance Excellence by participating in its award program and by providing staff to serve as examiners. The DAE's goal is to have every local AE program recognized at Commitment Level by 2010. The DAE itself achieved Commitment Level in 2005.

A partnership between Adult Education and the Governor's Books from Birth Foundation was established in February 2006. Adult Education students, many of whom don't know about the foundation nor can afford books for their children/grandchildren, now have access to the information through their GED classes. AE instructors inform their students about the program's benefits and walk them through the paperwork necessary for enrollment. During the first quarter of the partnership, AE programs enrolled 3,255 children into the program.



Insuring Economic Stability

Employment Security Report 2005-2006



Job Service Statistics

384,693 individuals
registered with Job
Service at a Tennessee
Career Center or local
Job Service office

200,328 applicants
entered employment by
working with field staff

96,668 job openings were
posted by employers with
Job Service

The Division of Employment Security administers Tennessee's Unemployment Insurance and Job Service programs and Tennessee's Research and Statistics/Labor Market Information (LMI).

Unemployment Insurance provides unemployment benefits to workers who have lost their jobs through no fault of their own. Designed as a state and federal partnership 70 years ago, this program is a stabilizing force which keeps a flow of dollars moving in the local economy and helps sustain a trained workforce for employers.

Field Operations & Tennessee Career Centers

In partnership with the Adult Education Division and the Employment and Workforce Development Division, our Field Operations staff coordinates the delivery of agency services to the public through Tennessee Career Centers and Tennessee Department of Labor and Workforce Development offices throughout the state. Tennessee Career Centers offer computerized labor market information, Internet access, workshops, an on-line talent bank to assist both job seekers with job placement and employers with recruitment.

**See map of Career Center locations on page 9*

Job Service

Job Service is the largest employment agency in the state. In addition to job referrals, Job Service offers employers and job seekers a broad range of services. Job Service has the most extensive computer-based job applicant pool in the country.

Veterans' Programs

Veterans' programs excel in helping veterans transcend into the job market by matching their skills with employer needs. PROVET (Promoting Re-employment Opportunities for Veterans) places job-ready veterans into targeted information technology occupations. A total of 35,094 veterans were served during the fiscal year, and 16,895 veterans entered employment after receiving Job Service assistance.



Food Stamps Employment & Training Program

This section provides selected Food Stamp recipients with assistance in job search and other services that enhance the recipient's employability, including adult education, counseling, referral to supportive services, and work experience.

Trade Act Assistance (TAA) Program

TAA provides tuition and textbook payments to workers affected by foreign competition so these dislocated workers can receive the training needed to return to the labor force in new occupations. A total of 1,392 participants enrolled in TAA training during the fiscal year ending June 30, 2006; \$5.7 million was obligated to fund TAA training.

The Work Opportunity Tax Credit (WOTC)

WOTC provides tax credits to employers who hire and train targeted workers on the job. This easy-to-use program is a national model that saves employers money while putting people to work. There were 20,064 WOTC tax certifications in the fiscal year ending June 30, 2006 with a potential value of \$97.2 million.

Alien Labor Certification

Alien Labor Certification helps employers recruit temporary alien workers when qualified U.S. workers are not available. Applications are filed through the department's central office with final determination by the U.S. Secretary of Labor.



Tennessee Career Center staff received recognition for improvements in services to veterans including initiatives to assist hard-to-place veterans, improving the system, and support of employment and training of veterans in Tennessee.

**Online Services
Enhance Customer
Service**

TNPAWS

100,455 Wage
and Premium
reports filed over
the Internet

UI Claims

15,000 claims filed
over the Internet



Employer Accounts Operations

Employer Accounts Operations is responsible for establishing the following:

- unemployment insurance premium liability of employers
- determining premium rates
- collecting and processing premium and wage reports and premium payments
- keeping a record of the quarterly wages of all Tennessee workers to be used in determining benefit eligibility
- auditing employer records and providing the accounting function for the Unemployment Insurance Trust Fund

Unemployment Insurance Trust Fund balance

-\$677,036,996 on June 30, 2005

-\$697,279,508 on June 30, 2006

Employer Accounts Operations received

-\$402,999,262 total Unemployment Insurance premiums

-\$30,693,296 in federal interest was received on the

Unemployment Insurance Trust Fund balance

Tennessee's Premium & Wage Online Reporting System (TNPAWS)

The TNPAWS Internet reporting system to file Wage and Premium Reports system gives employers the option of filing their Wage and Premium reports over the Internet. Close to \$52.9 million in total premiums was filed on TNPAWS.

UI Claims Center Operations

The UI Claims Center Operations allows claimants in 56 counties and out-of-state claimants to file for unemployment benefits by telephone, Internet or mail. By 2007, all claimants across the state will be able to file their benefit claims remotely. In 2005-2006, around 166,000 telephone calls were taken with about 110,000 telephone claims filed.

Unemployment Insurance Integrity

Unemployment Insurance Integrity includes Benefit Payment Control (BPC) Benefit Accuracy Measurement (BAM), and Reports and Compliance. During the fiscal year ending June 30, 2006, UI Integrity audited 22,505 claims for accurate payment.

Benefit Operations/UI Technical Services

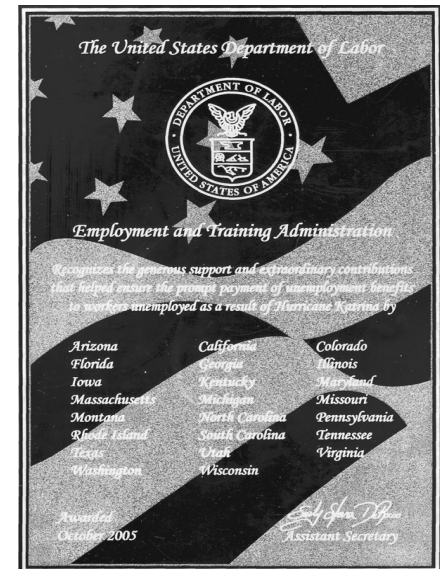
This unit is responsible for processing and paying claims for Unemployment Insurance benefits, Trade Readjustment Assistance (TRA), Disaster Unemployment Assistance (DUA) and Alternative Trade Adjustment Assistance (ATAA). Benefit Operations is also responsible for certifying TRA eligible claimants for Health Care Tax Credit (HCTC). During fiscal year 2005-2006, exactly 1,998,947 weeks of benefits were processed, and more than \$408 million in unemployment benefits was paid.

Appeals Operations, Board Of Review & Support

Claimants and employers can appeal department decisions relating to claims. The Appeals Tribunal, the lower appeals level, conducts de-novo hearings where the parties testify under oath and can offer documents and other evidence, such as the testimony of witnesses, for consideration. During the fiscal year ending June 30, 2006, there were 5,237 benefit decisions appealed by the employer and 13,345 appealed by the claimant for a total of 18,582 benefit decision appeals. The Board of Review, the higher authority, decides contested unemployment claims appealed from the Appeals Tribunal. Employers can also appeal their premium rate and other liability issues.

Labor Market Information

The Research and Statistics/Labor Market Information section produces comprehensive, accurate, timely, and properly documented labor market information regarding the economic and demographic characteristics of the people, businesses, and industries of Tennessee. This section responds to thousands of requests each year. *The Source* Web site provides labor market information, averaging almost 772,000 hits and more than 34,000 session visits per month.

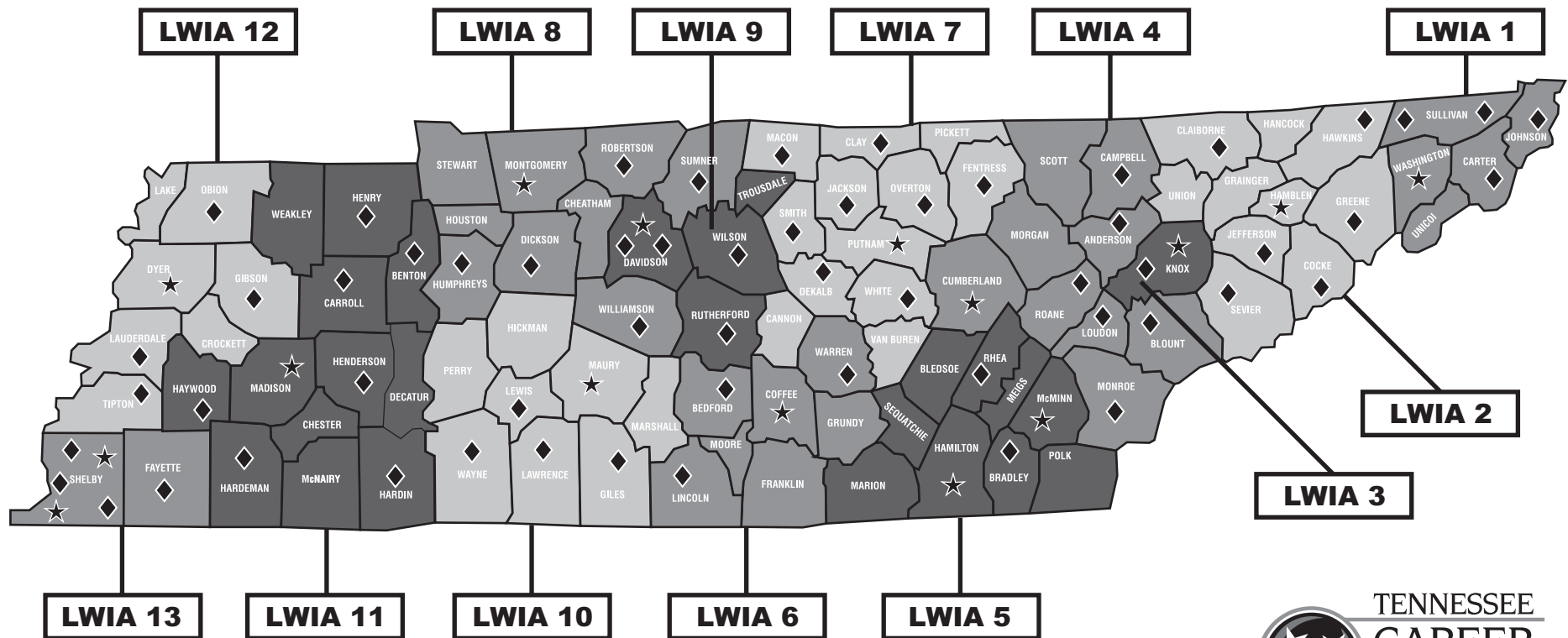


Tennessee was commended at the National UI Directors Meeting in Salt Lake City for providing assistance to Hurricane Katrina evacuees to insure prompt payment of unemployment benefits.

Tennessee Career Centers

Partner Programs include Adult Education Division, Employment Security Division, and Employment & Workforce Development Division

Tennessee has a network of centers across the state where employers can go to find the workers they need and job seekers can get career information and services. Each center offers computerized labor market information, Internet access, workshops, an on-line talent bank, job placement, recruitment and training. Centers are located strategically within Local Workforce Investment Areas (LWIAs), as indicated on the map below. Many other programs are offered in the Tennessee Career Centers by several other state and local agencies.



★ Comprehensive Career Centers (15) ◆ Affiliated Sites (58)



In 2006, the Tennessee Department of Labor and Workforce Development completed the plans for a 240,000 square foot building in middle Tennessee. The new facility will consolidate three offices and bring together 800 employees. The project is expected to be completed by the summer of 2007.

Tennessee ranked 5th in the nation for receipt of federal incentive awards based on program performance.



Increasing Employment & Earnings Industry Retention & Expansion

Employment & Workforce Development Report 2005-2006

The Division of Employment and Workforce Development is responsible for delivering the department's employment and training services under the Workforce Investment Act and the Title V Older American's Act. Businesses can find qualified workers, along with recruitment and training services. Job seekers can access information regarding labor market information, job listings, interview and résumé writing assistance, placement and job training. This year the division has had the following significant accomplishments throughout the workforce development system and in conjunction with our partners.

Services to Job Seekers

Workforce Development services were provided to 27,448 individuals across the state under the Workforce Investment Act and Title V. Based on the services provided to participants seeking employment, 86.3% successfully entered employment with a retention rate of 87.7%. In order to enhance the overall quality of the workforce in Tennessee, skill upgrades were provided to 6,820 job seekers with adult and youth participants averaging an additional \$4,831 in earnings.

Rapid Response for Transitioning Workers

Rapid Response services were provided to 182 companies assisting 13,759 dislocated workers in making the transition to new jobs and careers.

Services to Employers

Incumbent Worker projects were implemented in which 142 companies received grants totaling more than \$3.3 million in funding and serving over 15,000 workers who retained their jobs and received skill upgrades.

On-The-Job Training contracts totaling \$1.4 million were issued to employers, creating 3,293 new jobs.

Improving the Safety of our Citizens

Boilers & Elevators, Mine Safety, Labor Standards, Labor Research & Statistics Report 2005-2006

Boiler Division

The responsibility of the Boiler Inspection Division is to prevent potential hazards involved in the operation of nearly 65,000 boilers and pressure vessels in Tennessee through biannual and biennial inspections. In fiscal year 2005-2006, inspectors conducted 13,472 inspections and issued 36,752 inspection certificates. Invoiced revenue for Boiler Division services is almost \$1.8 million.

Elevator Division

All passenger and freight elevators including aerial tramways, chairlifts, escalators and dumbwaiters in the state must be inspected twice a year. In 2005-2006, the division conducted 20,156 inspections and issued 11,636 permits. Invoiced revenue for Elevator Division services is more than \$1.7 million.

The Division of Mines

The Division of Mines provides required annual health and safety training classes to underground and surface miners. In 2005-2006, MSHA-certified instructors gave mine safety training to 1,750 miners. The Division of Mines issued 80 mine operator licenses and 74 mine foreman certificates across Tennessee.

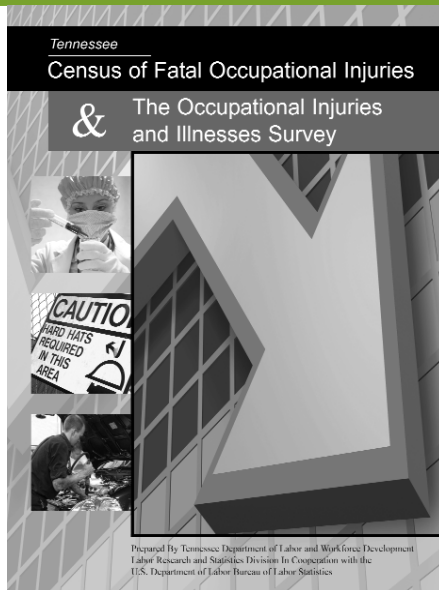
Labor Research & Statistics

The Labor Research and Statistics Section conducts the U.S. Bureau of Labor Statistics Survey of Occupational Injuries and Illnesses and the OSHA Log Data Collection Initiative Survey to obtain data on non-fatal workplace incidents. Statistics on fatal occupational injuries are obtained through the Census of Fatal Occupational Injuries.



Tennessee's Mine
Rescue Team helped to
coordinate an emergency
rescue drill in April 2006
at the Richard City Mines
in South Pittsburg, TN

The Census of Fatal Occupational Injuries and the Occupational Injuries and Illnesses Survey is available upon request from the Labor Research and Statistics Division.

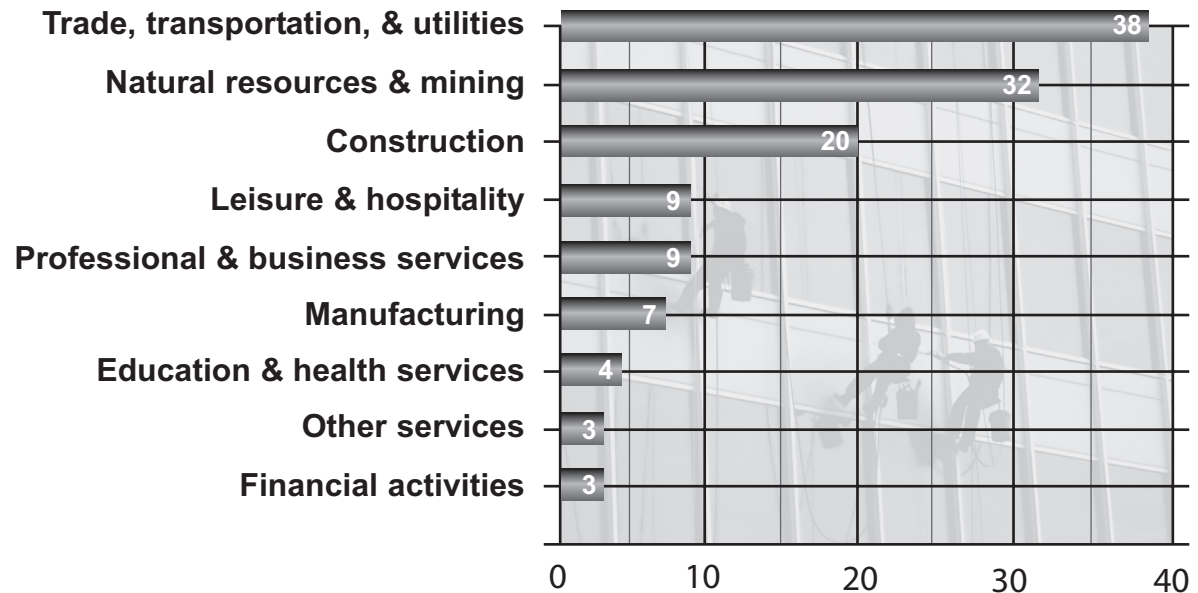


Major Findings for 2005

Work-Related Fatalities

Transportation incidents	70
Assaults & violent acts	18
Contact with objects & equipment	29
Falls	14
Exposure to harmful substances & environment	5
Fires and explosions	3
Total fatalities	139

Fatal Work Injuries in Selected Industries



Labor Standards

The Labor Standards Division regulates three labor and wage laws and administers the laws for licensing employee assistance professionals in the state of Tennessee. Inspectors perform routine inspections to encourage compliance with those laws and to recover unpaid wages. In fiscal year 2005-2006, the Labor Standards Division processed 71,672 complaint calls.

The Child Labor Act - The Child Labor Act establishes the number of hours a minor between the ages of 14 and 18 may be employed and prohibits employment in certain occupations that may be hazardous to the health and safety of the minor. Labor Standards inspectors conducted 991 child labor inspections, issued 134 citations, and collected \$163,900 in fines for child labor violations.

Wage Regulations Act - The Wage Regulations Act protects workers in private employment of five or more employees. It requires employees to be informed of what they will be paid prior to performing the work and requires employees to be paid all compensation due on their final payday. This act also protects employees from sex discrimination in relation to wages. The Labor Standards Division received 1,243 wage complaints. Of those investigated there was \$491,447 recovered for complainants.

Prevailing Wage Act - The Prevailing Wage Act protects wage earners from unfair practices regarding pay on state-funded building and highway construction. The act requires the department to conduct two surveys to determine the wage rates from various job classifications for state-funded construction projects. In 2005-2006, Labor Standards inspectors conducted 569 Prevailing Wage inspections with \$81,312 recovered for complainants.



The Tennessee Department of Labor's television show won second place from the National Association of Government Communicators in 2006. The program focused on actual child labor investigations. Together with the Department of Education, video copies were distributed to middle schools across Tennessee.

The TOSHA division sent 17 staff members to the Gulf Coast for 14 days to assist with the clean-up efforts and assuring job safety during the restoration process after Hurricane Katrina.



Reducing Workplace Injuries, Illnesses & Fatalities

TOSHA Report 2005-2006

TOSHA's mission is to assure the safety and health of Tennessee's workers by setting and enforcing standards; providing training, outreach, and education; establishing partnerships; and encouraging continual improvement in workplace safety and health.

Consultative Services

The Consultative Services Section offers a free consulting program to small size employers who seek safe and healthful working conditions for their employees. Services offered by this section include technical advice and assistance, hazard abatement recommendations, and employee training. In 2005-2006, this section performed 399 consultative visits and identified over 3,000 workplace hazards.

Compliance Section

The Compliance Section is responsible for enforcement of the Tennessee Occupational Safety and Health Act of 1972 (Title 5, Chapter 3) with emphasis on employee exposures to chemical and physical hazards. On-site monitoring and inspections are conducted to identify safety and health hazards and assure hazards are controlled or eliminated. In fiscal year 2005-2006, the Compliance Section performed 2,225 workplace inspections and identified 8,238 safety and health hazards.

Training & Education Section

Through a variety of programs, TOSHA Training and Education Section assists employers, employees, and their representatives in reducing safety and health hazards in their workplaces and in complying with the requirements of TOSHA standards and regulations. A series of seminars are held statewide in the spring and fall covering a variety of safety and health issues. In 2005-2006, TOSHA conducted 338 seminars and logged 11,155 attendees at their training sessions.

<i>Safety Enforcement</i>		2005-2006
Inspections conducted		1,010
Violations cited		3,390
Proposed penalties		\$1,390,667
<i>Health Enforcement</i>		
Inspections conducted		632
Violations cited		3,724
Proposed penalties		\$684,707
<i>Public Sector Operations</i>		
Inspections conducted		583
Cited violations		1,124
<i>Consultative Services</i>		
Consultative visits		399
Hazards identified during visits		3,131
<i>Training & Education</i>		
Seminars & formal programs conducted		338
Number of attendance at activities		11,155
<i>Laboratory</i>		
Samples analyzed		1,962
Determinations		10,692

In 2005-2006, TOSHA's Special Emphasis programs have resulted in reduced noise exposure to 522 employees and reduced carbon monoxide exposure to 1,265 employees. A reduction of 53% of the number of fall fatalities was investigated compared to the base amount recorded in 1989-1999.

Special Emphasis Programs

Trenching/Excavation
Noise Exposure
Carbon Monoxide
Fall Protection
Amputations

Resolving Workplace Injury

Workers' Compensation Report 2005-2006

The Benefit Review section in 2006 relieved the judicial system of some 2,330 hours of court time and saved over \$1 million in court expenses for employers.



Tennessee
DRUG FREE

Workplace

Uninsured Employers' Fund (UEF)

The UEF has been extremely successful in assuring that employers comply with the insurance requirements of the Workers' Compensation Law. Statewide investigations resulted in penalties totaling \$873,258 collected in fiscal year 2005-2006. This was an increase of more than 104% compared to the \$427,664 collected in fiscal year 2004-2005.

Medical Fee Schedule (MFS)

A year after the implementation of the Medicare-based Workers' Compensation MFS, the department continues to educate both payers and providers. The staff appreciates the input, patience and cooperation of all parties involved. Quality medical care for the injured employee remains the priority for the department.

Benefit Review (BR)

The 2004 Reform Act as it relates to the BR Program was intended to reduce the adversarial nature of claims and to also reduce the costs of resolving them. There was also a 46% percent increase in the number of files submitted to BR for assistance in resolving temporary disability of medical care benefits issues: 4,008 requests this fiscal year compared to 2,733 in the last fiscal year. Settlement mediation files also rose from 6,173 to 6,976, a 13% increase.

Drug-Free Workplace Program (DFWP)

The DFWP continues to grow at an impressive rate. The program ended 2004-2005 with 4,030 employers participating. By the end of this fiscal year the number had grown to 5,891, an increase of 1,861 employers. More than 515,000 Tennesseans are now working in drug-free workplaces created by this program. Also, during this fiscal year more than 8,600 people, mostly employers, have been exposed to the advantages and benefits of program participation through formal DFWP presentations.

Communicating Our Department Services to Employers

Marketing Report 2005-2006

Within the marketing group, 10 Employer Services Specialists (ESSs) are responsible for marketing the department's services to employers and establishing quarterly Workforce Employer Outreach Committees (WEOCs) across the state. The purpose of the Workforce Employer Outreach Committee is to provide a broader reach to Tennessee's employer community and provide to them a direct link with the Department of Labor and Workforce Development. Each WEOC enables two-way communication that fosters economic development, promotes departmental services, and facilitates distribution of policies and information. Currently, every county in Tennessee is affiliated with a WEOC group, with more than 320 WEOC meetings being conducted annually. The ESSs also visit more than 4,500 individual Tennessee employers annually.

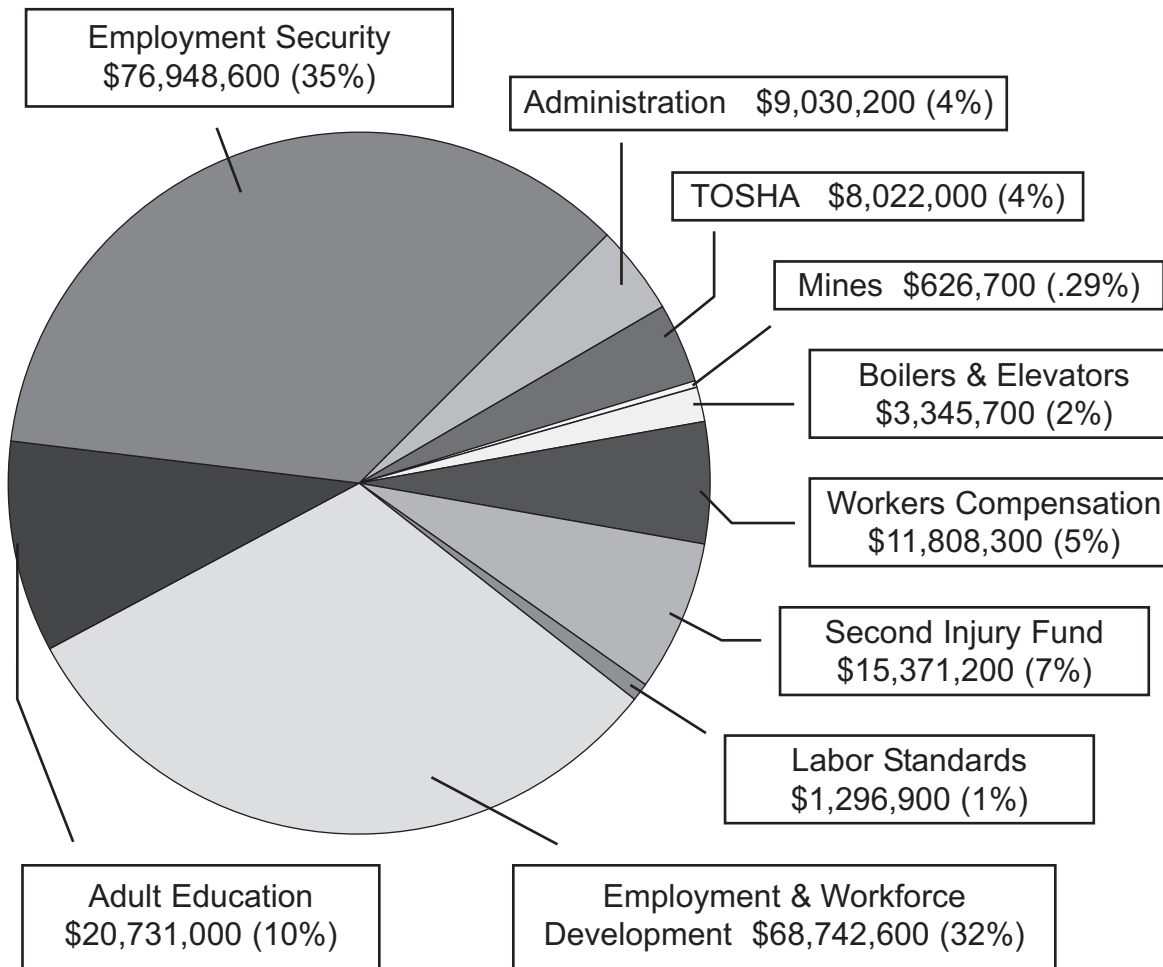
Marketing Program Totals*	
Programs	# Employers Reached
Drug-Free Workplace	3,062
UI Fraud	2,877
Anti-Meth Campaign	3,377
Child Labor	2,101

* Information collected from 2/1/06 - 7/1/06

Employer Service Specialists visited 3,000 Tennessee employers in 2005-2006 and held 157 meetings to create awareness of the department's programs and services available to employers.*



How the Tennessee Department of Labor & Workforce Development is Funded Annually*



Fiscal Year 2005-2006

Federal	\$152,536,100
State	\$ 38,854,100
Other	\$ 24,533,000
Total	\$215,923,200

*Budgeted figures
for FY 2005-2006

Headquarters

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Nashville, TN 37243

Office of the Commissioner (615) 741-6642

Adult Education (615) 741-7054

Employment Security (615) 253-4809

Employment & Workforce Development (615) 741-1031

Boilers & Elevators, Mine Safety, Labor Standards, Labor Research & Statistics (615) 741-1627

Tennessee Occupational Safety & Health Administration (TOSHA) (615) 741-2793

Workers' Compensation (615) 741-2395

Tennessee Career Centers (800) 576-3467

Marketing (Employer Service Specialists) (615) 741-7374

TDD number for the hearing impaired (615) 532-2879

www.tennessee.gov/labor-wfd



The Tennessee Department of Labor and Workforce Development is an equal opportunity employer/program; auxiliary aids and services are available upon request to individuals with disabilities.



The Tennessee Department of Labor and Workforce Development authorization number 337432; November 2006; 1,000 copies. This public document was promulgated at a cost of \$1.56 per copy.